LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6686 | **NOTE PREPARED:** Jan 1, 2009
BILL NUMBER: SB 317 | **BILL AMENDED:**

SUBJECT: Assessment of property damaged by a disaster.

FIRST AUTHOR: Sen. Mrvan | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: This bill establishes qualifications and procedures for property tax relief for damage caused by a disaster. It repeals current provisions concerning disaster relief.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of Local Government Finance (DLGF) will have additional administrate expenses associated with surveying property affected by a disaster. See *Explanation of Local Revenues* below.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, a taxpayer may petition the county assessor to order a reassessment of destroyed property if a substantial amount of real and personal property was destroyed during a disaster. The current statute is unclear as to the effective date of any tax relief. The statute specifies that the assessor shall determine the date on which the reassessment becomes effective making any tax relief effective on the next March 1 assessment date with taxes payable in the year following that assessment date. However, the law also states that the reassessed value and any corresponding adjustment in taxes are effective on the date the disaster occurred.

There is a time limit on when the taxpayer may petition the assessor for a reassessment. The petition has to be submitted and any tax adjustment made by December 31 of the year in which the taxes which would first be affected by the reassessment are payable. The reduction of assessed value because of a successful petition causes a tax shift from the disaster victims to all taxpayers.

For taxes payable in 2009 and after, this bill repeals the current statute. It provides timetables for required actions and specifies that the tax relief is immediate. Under the bill, a taxpayer would have 60 days to petition the DLGF for a declaration that a disaster has occurred and for a reduction of property taxes. The DLGF would be required to immediately survey the area, determine if a disaster took place and establish the date of the disaster. If the disaster occurred between January 1, 2006 and June 30, 2009 inclusive, the date of the disaster would be July 1, 2009. If the disaster occurred after June 30, 2009, the date would be established by the DLGF and would usually be the last date that the disaster caused damage. The taxpayer has to notify the county assessor when the property has been restored to a condition comparable to the condition it was in before it was damaged by the disaster.

If the DLGF determines that a disaster has occurred, it would send all petitions to the county assessor who would then determine the percentage of damage for each property therein. The taxpayer would receive a credit against the next two semi-annual tax installments after the disaster date in the amount of the tax due multiplied by the destruction percentage.

If the disaster date occurs between the November and May property tax due dates, the credit would be applied to the upcoming May and November installments. If the disaster date occurs between the May and November property tax due dates, the credit would be applied to the November and the following May installments.

In general, this bill would sometimes allow credits to be granted after assessed values (AV) have been certified and tax rates are set for the calendar year. Credits against property taxes that are not otherwise funded would reduce property tax revenue to local civil taxing units. The total credit amount in a year would depend on the frequency, type, severity, and the location of disasters, and the actual amount of these credits would not be known until after the disaster strikes. Under this bill, disasters that occurred between January 2006 and June 2009 would have a disaster date of July 1, 2009. Those taxpayers who suffered disaster-related property damage during this period would be eligible to receive tax relief starting with their November 2009 tax payments. Since tax rates and tax levies would have been certified earlier in the year (in February), the reduction in tax revenue for some local tax units could be substantial. Latest estimates indicate that there were nine disasters between June 2006 and December 2008, seven of them of sufficient magnitude to be approved for federal assistance. As of November 2008, 30 counties were eligible for federal relief.

After the initial reduction in property taxes in the May and November installments, but before the full assessed value of the previously damaged property is placed on the tax rolls, the tax base would be reduced by an amount equal to the difference between the original value of the property and the current reassessed value. This is equivalent to a tax deduction until the property has been restored close to its pre-disaster condition. This reduction in the tax base would result in a tax shift to all other property in the form of an increased tax rate. The amount of the tax shift and the size of the increase in the tax rate is indeterminable at this time. Total local revenues, except for cumulative funds, would remain unchanged during this period. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

Background: For purposes of this bill, a disaster means an occurrence or imminent threat of widespread or severe damage, injury, or loss of life or property resulting from any natural or man-made cause, including but not limited to fire, flood, earthquake, windstorm, snowstorm, tornado, wave action, oil spill, other water contamination requiring emergency action to avert danger or damage, air contamination, drought, explosion, utility failure, critical shortages of essential fuels or energy, major transportation accident, hazardous material or chemical incident, radiological, nuclear or biological incident, public health emergency, riot, acts of terrorism, or hostile military or paramilitary action. The bill does not specify any minimum magnitude in order to qualify for credits.

State Agencies Affected: DLGF

Local Agencies Affected: County assessors

Information Sources: Department of Homeland Security (DHS) report, "Disasters for the year 2000 - current", DHS Website; Press Releases, Governor's Office Website.

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